

Press Release

SEC Notifies Voluntary Pension System Rules, 2004

Islamabad – December 3, 2004: The Securities and Exchange Commission of Pakistan (SEC) has notified the draft Voluntary Pension System Rules, 2004, for soliciting views and comments from asset management companies, insurance industry, general public and other stakeholders.

Under the proposed rules, a new Voluntary Pension System (VPS) is being introduced in the country. Asset Management Companies and Life Insurance Companies duly licensed by the SEC under these rules would be authorized to offer and manage Pension Fund Schemes (PFSs). Such entities shall be referred to as licensed Pension Fund Managers. Life Insurance Companies would also be authorized to offer Annuity Plans (APs) under the system.

All Pakistani nationals over eighteen years of age, having valid National Tax Number, and not being entitled to benefits under any approved occupational pension scheme shall be eligible to participate in the voluntary pension scheme. Pension Fund Managers will maintain separate pension accounts for each participant who would be allowed to transfer the balance in his Individual Pension Account (IPA) from one Fund Manager to another. Balance in the Pension Fund would be invested in accordance with the criteria laid down by the SEC from time to time.

At the age of retirement i.e. sixty years or earlier (in case participant develops disabilities), the participants would be allowed to withdraw 25 percent of the amount in his individual pension account while the remaining amount would be used to buy an annuity contract from a life insurance company of his choice. All other withdrawals would be subject to deduction of withholding tax and other conditions laid down in the Income Tax Ordinance.

The proposed pension system is based on certain tax incentives/exemptions for which necessary amendments in the Income Tax Ordinance are being made.

The Federal Government has also specified pension fund scheme business, authorised under the Voluntary Pension System Rules, 2004, to be a form of business.

The notification in this regard through the official gazette is being made and the timeframe for receipt of any suggestions/comments thereon is fourteen days after the publication in the official gazette.

Any objection or suggestion received by the SEC in respect of the draft Rules being published, within the fourteen-day period mentioned above, will be duly considered before final promulgation of the said Rules. The notification of the draft Voluntary Pension System Rules, 2004 is required to be made in order to carry out the purposes of section 506 of the Companies Ordinance, 1984. The draft Rules are available at the SEC website www.secp.gov.pk.